APPENDIX I

Opinion of District Court on Objections to Exhibits (October 11, 1965)

IN THE

United States District Court

NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

62 C 2080

AMERICAN PHOTOCOPY EQUIPMENT COMPANY,

Plaintiff,
Counter-Defendant,

vs.

ROVICO, INC.,

Defendant,
Counter-Plaintiff.

MEMORANDUM OPINION

Objection to introduction of exhibits.

Initially, in this patent infringement suit, defendant has objected to plaintiff's proposed Exhibits 11 and 12, drawings of photocopy machines which have been held to infringe the Eisbein Patent, at issue, by the U. S. District Court for the Southern District of N. Y., and nine consent decrees entered in other suits, respectively.

Relevancy is the only ground for objection presented. The drawings in Exhibit 11 would seem relevant and

helpful to the Court when evaluating the opinion rendered in the N. Y. where they were originally offered. Certainly, we can draw analogies from features held infringing in that case.

The consent decrees, however, do not constitute a judicial determination and should be excluded.

Turning next to defendant's exhibits, we find that plaintiff has objected to the introduction of 38 items. While it is difficult to believe that some agreement could not have been reached here by the parties, we must rule on each.

Plaintiff objects to Items J, J1, J2, J3, J4, N, O, P, Q and R, on the ground that the exhibits are comprised of testimony in a different legal action involving different parties, and to the extent that said testimony is relevant on the issue of validity of the Eisbein Patent, it has already been considered by the Seventh Circuit Court of Appeals and held not to invalidate the patent.

Many of these items consist of fragmented parts of testimony and might well be lifted out of context. Such practice is dangerous, and should be avoided. Of more importance is the fact that plaintiff's counsel did not have an opportunity to cross examine these witnesses with a view towards the instant suit. Indeed, in the action from which this testimony was taken, APECO (Plaintiff here) was the defendant, and was charged with infringement. It would be most improper to permit introduction of this evidence.

Items V, V1, V2, V3, V4, V5, V6, V7, V8, V9 and W must be excluded, unless agreement is reached, under the statutory language of Sec. 282, Title 35, U. S. C. That Section provides that in actions involving the validity or

infringement of a patent, the party asserting invalidity *shall give notice* in writing to the adverse party *at least thirty days before trial* of the country, number, date, and name of the patentees of any patent, and the title, date, and page numbers of any publication to be relied upon as anticipation of the patent in suit. In the absence of such notice, proof of the said matters may not be made at the trial except on such terms as the Court requires.

If plaintiff can demonstrate that the requisite notice was not given, the Court shall properly refuse admittance of the aforesaid exhibits. *Thermo-King Corp.* v. *White's Trucking Service, Inc.*, (C. A. Fla., 1961) 292 F. 2d 668; *Edward Valves, Inc.* v. *Cameron Iron Works*, (5th Cir., 1961) 286 F. 2d. 933, 289 F. 2d. 355, *cert. den.* 368 U. S. 833. If defendant can prove, however, that plaintiff was aware of these patents and publications from prior litigation, and is fully prepared to meet same at trial, the Court may, in its discretion, allow them to be introduced. *Stiffel Co.* v. *Sears, Roebuck & Co.*, (7th Cir., 1963) 313 F. 2d. 115, *rev'd on other grounds*, 376 U. S. 225. The statute is aimed at prevention of surprise, and should be applied accordingly.

Plaintiff finally objects to Items K, K1, K2, L, L1, M, S, T, U, X, Y, Z, Z1, Z2, Z3, AA, and AA1 on the grounds of relevancy. Exhibits M, S, T, and U all dealing with papers filed by APECO in the prior litigation referred to above should not be admitted for the reasons stated earlier. Counsel was therein advocating a different result, and should not be held to the argument made at that time, if the adversary system is to have any meaning here. The other items, K, K1, K2, L, L1, X, Y, Z, Z1, Z2, Z3, AA, and AA1 are comprised of other patents, file wrappers,

interrogatories, publications, and license agreements. The Court would have no way of judging their relevancy at this time, and accordingly, must defer ruling. Exhibit L1, however, consisting of newspaper accounts of litigation under the Eisbein patent is clearly inadmissible on hearsay grounds.

Accordingly, we shall admit Plaintiff's Exhibit 11, refuse all others in controversy, plaintiff's and defendant's, and reserve ruling on Defendant's Exhibits V, V1 through V9 and W with regard to notice under Sec. 282, Title 35, U. S. C., and K, K1, K2, L, X, Y, Z, Z1 through Z3, AA and AA1 which remain subject to a demonstration of relevancy at trial.

Enter:

ABRAHAM L. MAROVITZ
Judge

Dated: October 11, 1965

APPENDIX II

Decision of Court of Appeals on Preliminary Injunction, 359 F.2d 746 (March 3, 1966)

Before HASTINGS, Chief Judge, and SCHNACKENBERG and KNOCH, Circuit Judges.

SCHNACKENBERG, Circuit Judge.

Rovico, Inc., a New Jersey corporation, appeals from an order of the district court granting to American Photocopy Equipment Company, an Illinois corporation, a preliminary injunction restraining Rovico from making, using or selling transfer diffusion reversal photocopy machines "which infringe the claims of United States Letters Patent No. 2,657,618" (known as the Eisbein patent).

Said patent we held valid in Copease Mfg. Co. v. Apeco, 7 Cir., 298 F. 2d 772 (1961). It was later assigned by Copease to the present plaintiff, which was defendant in that case.

In resisting plaintiff's motion for said injunction, a defense of price fixing was presented to the district court by Rovico, which alleged in paragraph 40 of its answer and counterclaim that plaintiff's license terms require payment of a royalty of 6% of the net *retail* selling price, which amounts to an equivalent of about 12% of the *manufacturer's* (licensee's) selling price, and that the royalty is payable on the entire machine, which includes both the patented and unpatented parts.

Some of these allegations were not fairly met and denied by plaintiff's reply to the answer. Plaintiff's reply admits its requirement of a 6% royalty of the retail selling price, but avoids taking issue with the rest of defendant's charge, by asserting that it is without knowledge or information sufficient to form a belief as to the truth of the remaining averments of paragraph 40 of said answer.

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Rule 8(b) of the Federal Rules of Civil Procedure, 28 U.S.C.A. rule 8(b), provides:

> * * * Denials shall fairly meet the substance of the averments denied. * * *

We hold that, in view of the existing circumstances, this failure of plaintiff to frankly reply on a matter, which it, as patent owner and manufacturer must have had within its knowledge, exhibits a lack of fairness which completely discredits its statement that it is without knowledge of or information sufficient to form a belief as to the truth of said averment of defendant. But plaintiff insists that it is justified by the following part of rule 8(b):

> * * * If he is without knowledge or information sufficient to form a belief as to the truth of an averment, he shall so state and this has the effect of a denial. * * *

We disagree and hold that plaintiff has not in effect denied the aforesaid averment of defendant. Rule 8(b) affords no shelter to plaintiff, in view of the facts presented in Rovico's answer and counterclaim. In Harvey Aluminum (Incorporated) v. N.L.R.B., 9 Cir., 335 F. 2d 749 (1964), at 758, the court referred to rule 8(b) and said:

> "Under comparable provisions of the Federal Rules of Civil Procedure, an answer asserting want of knowledge sufficient to form a belief as to the truth of facts alleged in a complaint does not serve as a denial if the assertion of ignorance is obviously sham. In such circumstances the facts alleged in the complaint stand admitted."

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Furthermore defendant contends that inasmuch as it also additionally appears by the *affidavit of Robert Vinci,* filed in this case, that the value of the licensed part (one-half) of the machine is only half the value of the whole machine, the royalty imposed is approximately 24% of the manufacturer's selling price of the licensed half of the machine. This factual statement has not been denied by plaintiff.

The record before us shows that the license agreements in effect require plaintiff's licensees to fix a minimum selling price far above the price which they would otherwise charge and that the royalty policy of plaintiff is in violation of the antitrust laws of the United States, being exorbitant and oppressive.

In the case at bar the district court indicated that it was aware of the possibility of an antitrust violation in this case, when it said:

> "* * * While the royalty charges of 6 percent of the retail price may in fact influence the minimum price of these machines, it must be noted that this is the same royalty charged by the prior owner of the patent, and held proper by the Seventh Circuit in the *Copease* [supra] litigation. We cannot say today, four years later, that such a charge is unlawful."

However, we did *not* make any such holding in the *Copease* case.

We hold that the district court record now before us reveals a violation of the antitrust laws and requires the denial of such injunctive relief as was granted by that court.

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In Mercoid Corp. v. Mid-Continent Co., 320 U.S. 661, at 667, 64 S. Ct. 268, 272, 88 L. Ed. 376 (1944), the court said:

> "* * * The patent is employed to protect the market for a device on which no patent has been granted. But for the patent such restraint on trade would plainly run afoul of the anti-trust laws. * * *"

and at 669, 64 S. Ct. at 273, the court further said:

> "* * * It is sufficient to say that in whatever posture the issue may be tendered courts of equity will withhold relief where the patentee and those claiming under him are using the patent privilege contrary to the public interest. Morton Salt Co. v. G. S. Suppiger Co., supra, [314 U. S. 488], p. 492 [62 S. Ct. 402, at page 405, 86 L. Ed. 363]."

In *Mercoid,* the Supreme Court discussed the applicable principles fully, saying at 670, 64 S. Ct. at 273:

> "* * * And the determination of that policy is not 'at the mercy' of the parties (id., [Beasley v. Texas & Pac. Ry. Co., 191 U. S. 492, 497, p. 498, 24 S. Ct. 164, 48 L. Ed. 274]) nor dependent on the usual rules governing the settlement of private litigation. 'Courts of equity may, and frequently do, go much farther both to give and withhold relief in furtherance of the public interest than they are accustomed to go when only private interests are involved.' Virginian Ry. Co. v. System Federation, No. 40, 300 U. S. 515, 552, [57 S. Ct. 592, 601, 81 L. Ed. 789]. 'Where an important public interest would be prejudiced,' the reasons for denying injunctive relief 'may be compelling.' City of Har-

> risonville v. Dickey Clay Co., 289 U. S. 334, 338, [53 S. Ct. 602, 603, 77 L. Ed. 1208]. And see United States v. Morgan, 307 U. S. 183, 194, [59 S. Ct. 795, 801, 83 L. Ed. 1211]. That is the principle which has led this Court in the past to withhold aid from a patentee in suits for either direct or indirect infringement where the patent was being misused. Morton Salt Co. v. G. S. Suppiger Co., supra, [314 U. S., p. 492, 62 S. Ct. p. 405, 86 L. Ed. 363]. • • • ,,

In Brulotte v. Thys Co., 379 U. S. 29, at page 33, 85 S. Ct. 176, at page 179, 13 L. Ed. 2d 99 (1964), the court, while recognizing the leverage of a patent monopoly as a means of exacting royalties said:

> ' • • • But to use that leverage to project those royalty payments beyond the life of the patent is analogous to an effort to enlarge the monopoly of the patent by tieing the sale or use of the patented article to the purchase or use of unpatented ones. • • • ,,

In the district court, in opposition to the motion for preliminary injunction, defendant submitted matter, which plaintiff herein had filed in the United States District Court for the Southern District of New York, as a part of its brief in Copease Manufacturing Co. and Apeco v. Cormac Photocopy Corp. and Anken 242 F. Supp. 993, which reveals that defendants in several New York cases brought by the present plaintiff herein, had paid substantial damages to plaintiff for infringement of the Eisbein patent, equal or substantially equal to 6% of the retail selling price of the accumulated photo-copying machines sold by said defendants prior to the date of settlement and the filing of consent decrees.

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Moreover, excerpts from plaintiff's brief filed in *Cormac and Anken* reveal that plaintiff, together with 16 other companies,[1] account for a majority of the total sales of diffusion transfer photocopy machines in the United States and further that the sixteen have accepted licenses under the Eisbein patent, and have agreed to pay uniform royalties equal to 6% of the retail sale price of the machines sold thereunder.

We are convinced that the injunction herein was erroneously granted by the district court in view of defendant's undisputed showing of an exorbitant, oppressive royalty, involving the bulk of the industry with a corresponding raise of the manufacturer's and retailer's selling prices of the licensed machines.

It is unnecessary for us to consider the other reasons urged by defendant for reversal of the preliminary injunction.

For the reasons stated, we hold that the court erred in granting the injunction *pendente lite* and that the order granting it should be reversed. Of course this cause may proceed to trial on the merits, unaffected by the findings of fact and conclusions of law heretofore made and entered into by that court in this case.

Order reversed.

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[1] Ampto, Inc., F. G. Ludwig, Inc., General Photo Products Co., Inc., Remington Rand Division of Sperry Rand Corp., Copease Corporation, Copycraft, Inc., Nashua Corporation, Speed-O-Print Business Machines Corporation, The Mullen Company, International Photocopy Corporation, Savin Business Machines Corporation, General Aniline and Film Corporation, Pacific Copy Corporation, Kenro Corporation, Inter-Continental Photocopy Corporation, and Formfoto Manufacturing Company.

APPENDIX III

Decision of District Court, 257 F.S. 192 (June 20, 1966)

MEMORANDUM OPINION

MAROVITZ, District Judge.

Memorandum Opinion Embodying Findings of Fact and Conclusions of Law.

This case came on for trial on October 12, 1965. Following the closing of evidence seven days later, the parties commenced submission of numerous briefs, exhibits, letter and proposed findings of fact. Additional briefs were filed thereafter with respect to the March 3, 1966 ruling of the Seventh Circuit Court of Appeals reversing the issuance of a preliminary injunction herein. We have fully considered the evidence and supplemental papers filed to date, and hereby render the following opinion based thereon:

This is an infringement action arising under U. S. Patent No. 2,657,618 issued November 3, 1953 to one Dr. Walter Eisbein covering a machine constructed to develop photocopies by means of the diffusion-transfer-reversal process (hereinafter, DTR). Claims 1, 5, and 11 of said patent are in suit. Plaintiff herein is the American Photocopy Equipment Company, (APECO), an Illinois corporation, engaged in the manufacture and sale of office photocopying machines and supplies. Defendant Rovico, Inc., is a New Jersey corporation engaged, as a competing concern, in similar activities.

The Eisbein Patent at issue has been litigated extensively, primarily in Copease Mfg. Co. v. APECO, (7th Cir., 1961) 298 F.2d 772; Copease and APECO v. Cormac Photocopy Corp. and Anken Chemical and Film Corp.,

(D.C.N.Y., 1965) 242 F.Supp. 993; and APECO v. Ampto, Inc., (N.J.App.Div., 1964) 140 U.S.P.Q. 616. In *Copease* and *Anken*, infringement suits brought in the Seventh and Second Circuits, respectively, the Courts independently held the Eisbein patent valid. Indeed, in *Anken*, the Court found that all nineteen of the Anken machines were infringing plaintiff's patent, including the "Anken 12" and "Anken 27" DTR Processors, which were supplied by the present defendant and which are among the machines accused herein. It should be noted further that after the Court's ruling in the Seventh Circuit litigation, APECO, plaintiff herein, and defendant there, purchased the entire capital stock of Copease Mfg Co., for the sum of $5,450,000 (Stp. of Oct. 25, 1965), including the Eisbein patent and licenses previously granted thereunder. APECO thus assumed prosecution of the remaining suits.

The DTR process involves two basic steps—exposure and development. In essence, a photosensitive emulsion on a negative sheet is initially exposed to the original sheet to be copied. Thereafter, the exposed grains of silver halide on the negative are reduced to metallic silver, and the unexposed grains are diffused through the emulsion of the negative and transferred to that of a non-photosensitive positive sheet containing nucleating agents which attract these unexposed grains and catalyze their reduction to metallic silver to form a positive image. (Tr. pp. 257-262; Copease v. APECO, supra, 298 F.2d at p. 774).

The Eisbein patent at issue discloses and claims a machine for performing the development stage alone (Tr. pp. 22, 45-46, 56-57). In essence, the machine includes three elements:

a) a casing in which developer liquid is contained at a given level, said casing having an inlet opening above the liquid level for the insertion of sheets to be treated;

b) a pair of rollers contacting one another along a line located above the liquid level which press the emulsions of the two sheets together for transfer of unexposed silver halide particles, remove excess liquid from the sheets, and convey the adhering sheets out of the machine; and

c) guide means for conveying the sheets on curved paths from the inlet opening beneath the level of the liquid, and then upward to the rollers, and separating same until immersion into the liquid, so that the emulsions on the inner faces are wetted fully before pressing by the rollers (Tr. pp. 265-270).

This Court must decide three ultimate questions—whether the Eisbein patent is valid—whether the claims of said patent cover the machines manufactured and sold by defendant, and whether plaintiff through its licensing procedure, has violated the anti-trust laws and thus should be precluded from enforcing the patent in suit. These three areas may be entitled, for the purposes of this opinion, as *Validity, Infringement,* and *Misuse.*

I *Validity*

We are satisfied, initially, that the finding of validity by the Seventh Circuit Court of Appeals in Copease v. APECO, supra, is binding upon this Court in the absence of persuasive new evidence of invalidity, Cold Metal Process Co. v. E. W. Bliss Co. (6th Cir., 1960) 285 F.2d 231, 244; Lehman Co. of America v. Appleton Toy & Furniture Co. (7th Cir., 1945) 148 F.2d 988, 989-990, de-

spite the difference in parties. In addition, where the prior decision of validity and infringement is in a different circuit, as *Anken,* supra, it is to be considered "strongly persuasive." Cold Metal Process Co. et al. v. Republic Steel Corp. (6th Cir., 1956) 233 F.2d 828, 837; Minn. Min. & Mfg. Co. v. Permacel-LePage's Inc., (D.C.Ill., 1963) 222 F.Supp. 540, 547. We are of the opinion that defendant herein has failed to introduce any evidence which substantially contradicts the *Copease* findings in the Seventh Circuit, and/or "strongly persuades" this Court that the patent in issue is invalid.

In support of its assertions of invalidity, defendant relies on four items of prior art, the Agfa machine, described in French Patent No. 879,995 (Def. Ex. Y-8) and in a drawing sent by Agfa to four designing companies (Def. Ex. Y-4a); Page 83 of Von Biehler's Handbuch der Fotokopie (Def. Ex. W); Edwards U. S. Patent No. 381,226 (Def. Ex. C-1); and Pollak U. S. Patent No. 717,021 (Def. Ex. C-1). These four references have all been previously considered in earlier decisions and found not to invalidate the Eisbein patent.

The Agfa machine, the only reference relating to the DTR Process, was considered by the U. S. Patent Office before it granted the Eisbein patent (Def. Ex. A, p. 32), by the Seventh Circuit Court of Appeals in *Copease* (298 F.2d at pp. 774, 777, 778), and by the District Court for the Southern District of New York in *Anken* (242 F.Supp. at pp. 996, 1000-1001), and found not to anticipate said patent. We find no justification in the evidence before us to differ.

The Agfa machine which includes a large rotatable drum and a series of endless belts supported on three or four

rollers, unlike the Eisbein invention, was found to be "unfit for commercial use," due to its large size, large liquid capacity, and frequent need for adjustment. (298 F.2d 774-775, 777-778). The structural differences between the Agfa and Eisbein patents, detailed by the Court of Appeals in *Copease* (298 F.2d 777-778), were demonstrated here as well, by plaintiff's expert witness, Mr. Hill. (Tr. pp. 1109-1112). In addition to the aforesaid crucial distinction between the contacting rollers approach of Eisbein, and the drum and endless belt device claimed by Agfa, the latter clearly performed a different sequence of operations from that performed by the Eisbein machine. That is, while the sheets are held together under pressure during most of the immersion process in the Agfa device, Eisbein proposed that they move through the liquid separately (298 F.2d 777-778) and not be pressed together until emergence. In this manner, Eisbein prevented blurring of the image from slippage (Tr. pp. 1105-1106), and wrinkling from expansion, (Tr. pp. 811-812).

Similarly, defendant can get little support from the Von Biehler publication. While this item is the only reference that was not before the Court in *Copease,* it was cited and discussed in the *Anken* opinion (242 F.Supp. 1003). It is apparent that the Von Biehler machine was intended to be used in developing a single sheet of photographic paper. Defendant, however, suggests that the machine might be used in the DTR Process, by bypassing the input rollers. As plaintiff's expert witness, Hill, demonstrated, however, defendant's theory would require that the two sheets be inserted perpendicularly to the bottom guide or tray, which might well lead to buckling, (Tr. pp. 1118-1121). Further, it is apparent that defendant's

proposed method would require extremely difficult manipulation, and clearly was not suggested by Von Biehler. Defendant cannot modify Von Biehler's device in the light of what Eisbein subsequently disclosed. Such modification, when the maker did not intend same, cannot be said to raise the original device to the status of an invalidating anticipation of the patent in suit. Young Radiator Co. v. Modine Mfg. Co., (7th Cir., 1931) 55 F.2d 545, 547. The Eisbein Claims, in the opinion of this Court, do not read on the Von Biehler disclosure, (Tr. pp. 903 et seq.).

The Edwards patents, considered by the Seventh Circuit Court of Appeals in *Copease,* and dismissed (298 F.2d 779), relate to massive machines used for galvanizing or tin plating steel sheets (Tr. p. 968), and could not be utilized in the DTR development process. That is, even if the apparatus were scaled down, it is apparent that the guide means would support only the lateral edges of the sheets (Tr. pp. 1122-1123). While this was necessary for the treating of metal sheets (Tr. pp. 1125-1128), it would be manifestly improper for feeding limp sheets of wet paper which would not be adequately supported. (298 F.2d 779).

Finally, we reach the Pollak patent which was before both the *Copease* and *Anken* Courts. As the Court of Appeals for the Seventh Circuit concluded, this patent does not disclose the feeding of two sheets simultaneously through a liquid as specifically recited in the Eisbein Claims, it being intended for use in development of a single sheet of photographic film or paper. Further, Pollak discloses no means for separating sheets until they have been wet by the liquid as called for in Eisbein Claims. (298 F.2d 778; 242 F.Supp. 1001). The correctness of these

prior findings was corroborated by the evidence received herein (Tr. pp. 1055-1058).

It is thus clear that there has been no "anticipation" of the claimed invention by any single disclosure made in defendant's proposed prior art, (Sec. 102, Title 35, U.S.C.). Thus, the patent must be considered valid if,—pursuant to Sec. 103, Title 35, U.S.C., and the decision of the U. S. Supreme Court in Graham et al. v. John Deere Etc. et al., 383 U. S. 1, 86 S.Ct. 684, 15 L.Ed. 2d 545 (Dec. Feb. 21, 1966),—the differences between the patented subject matter and the prior art are such that the subject matter as a whole would not have been "obvious" at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. This Court is of the opinion that the instant patent is not defeated by "obviousness." That is, we are convinced that the Seventh Circuit Court of Appeals applied the traditionally proper statutory and judicial tests of patentability codified in Section 103, by relying on Great Atlantic & Pacific Tea Co. v. Supermarket Corp., 340 U.S. 147, 71 S. Ct. 127, 95 L.Ed. 162 (1950), and Hotchkiss v. Greenwood, 11 How. 248, 13 L.Ed. 683 (1850), and that the decision of the U. S. Supreme Court in *John Deere*, supra, did not affect the correctness of the *Copease* result.

As did the *Copease* Court, we have initially looked to the scope of the prior art, and have specified the differences between that development and the claims at issue. The level of ordinary skill in the pertinent art at the time the invention was made, has also been considered by this Court with regard to the 1939 invention of the DTR Process by Agfa and Gavaert (Tr. pp. 253-255; 298 F.2d 773)

and the repeated failure thereafter to develop a practical mode of operation for office use (298 F.2d 774, 775-776; 242 F.Supp. 996-997, 1008, 1010).

After consideration of the evidence offered herein, we must conclude both on the basis of the *Copease* precedent, and our own independent analysis, that the invention at issue could not have been "obvious" within the meaning of Section 103.

Defendant further contends that the patent is invalid because the Claims are "broader than the invention" in that Eisbein disclosed a machine that requires all of the sheets to be kept separate until they reach the rollers, while his claims are broad enough to cover machines in which the separator guide plate is cut so short that it only separates the sheets until they have entered the processing liquid, (Tr. pp. 464-466).

Without reaching the question of whether this same argument was considered by the New Jersey Court in *Ampto,* supra, a fact never clarified at trial, we must conclude that defendant's argument cannot stand.

It is our understanding that the "Claims" of a patent application can never be broader than the "invention," as the latter is in fact defined by the former. That is, broadening of Claims may increase the risk of anticipation by prior art, by expanding the invention, or make a prior use defense more available, but does not of itself cause invalidity. Binks Mfg. Co. v. Ransburg Electro-Coating Corp. (7th Cir., 1960) 281 F.2d 252, 256; Aerosol Research Co. v. Scovill Mfg. Co., (D.C.Ill., 1963) 137 U.S.P.Q. 701, 724. Even if defendant's argument is to be

interpreted as a contention that claims broader than the specifications and drawings cause invalidity, it must fail. Under Section 112, Title 35, U.S.C., the inventor is required to set forth the *best mode* contemplated to carry out the invention. Thus the claims are, by necessity, always broader than the specifications and drawings. If defendants's arguments were valid, plaintiff would have to submit innumerable drawings of devices covering every conceivable length, of center separator guide plate. This clearly was not envisioned by Section 112, which calls only for specifications describing the "best mode," rather than "all modes," or all possible embodiments of the invention. There is no inconsistency between the claims herein and the specifications. Thus, defendant's position is unsound.

We have duly considered defendant's further arguments, and conclude that the term "slideways" appearing in Claim 5 clearly relates to the paths sided by the guiding means,—that Claim 1 is not so vague and indefinite as to be unpatentable, and that the Eisbein patent Claims were narrowed by amendment during the prosecution of the patent claims and not broadened.

Accordingly, we must hold that the Eisbein patent is good and valid in law.

II. *Infringement*

Defendant herein has made and sold six different models of photocopying machines (Pl. Ex. 13), all of which are charged to infringe:

1) The "Fotomate" (Discontinued Model) (Pl. Ex. 4, 7;

2) The "Fotomate" 10-inch Deluxe (Pl. Ex. 8, 17A, 17B, 17C);

3) The "Fotomate" 15-inch Deluxe;

4) The 12-inch Processor (Discontinued Model) (Pl. Ex. 18, 18A, 18B);

5) The 12-inch Processor (Present Model) (Pl. Ex. 9); and

6) The 27-inch Processor (Pl. Ex. 19, 19A, 19B).

These six devices can be classified into three categories for purposes of discussion: (a) The three Fotomate models which are complete photocopying machines including both the unpatented exposure machinery and the developing apparatus, and which differ only in the shape of the housing and in width; (b) the current 12 and 27-inch Processors (Items 5 and 6 above) which develop only, and are identical except for width; and (c) the discontinued original 12-inch processor model. The constructions referred to in Items (b) and (c) were directly involved in the New York *Anken* litigation as the "Anken 27" and "Anken 12" machines respectively (Pl. Ex. 11) and were found to infringe the Eisbein patent.

There was ample evidence offered at the trial of this cause to demonstrate that each of the three classes of accused machines falls within the language of the Claims at issue, 1, 5, and 11. (See Tr. pp. 298-308; 316-322; 322-324).

Apparently recognizing this, defendant contests the literal application of only three portions of the Claims to its machines, to wit:

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1) "• • • means extending from such opening (inlet) to a point adjacent the rolls for engaging and guiding the outsides of strips • • •" (Claim 1);

2) "• • • substantially parallel guiding means • • • (Claim 5); and

3) "• • • at least two superposed curved slideways • • • leading to the set of rollers." (Claim 5).

In each of the three accused constructions the lower guide extends all the way from the inlet opening to the rollers (Tr. pp. 308, 375) and in the discontinued 12" Processor (Category "C"), the upper guide extends full length, as well, (Tr. pp. 306-307). In the "b" category, current processors, the upper plate extends downward to the lowest point of immersion, and half the distance from that point up to the rollers, and in the Fotomate machines (Category "a"), it extends all the way down, and one-fifth of the distance upward.

In *Anken,* the New York District Court held that the language in Claim 1 was satisfied by machines having even shorter guide means than those present in the Rovico constructions (242 F. Supp. 1011). The New Jersey Court, in *Ampto,* supra, faced with machines with guides extending only to the low point of travel, and not upwards, held said devices to infringe Claim 1, but based its decision on the "doctrine of equivalents," holding that the upper guides there, although shorter, performed their function in substantially the same manner as the Eisbein guides, with no difference in result. (140 U.S.P.Q. 626-629).

While we may rest our decision on either theory alternatively, and do so, we lean more to the *Anken* view, concluding that all three constructions containing lower guide

means running the whole route from inlet to rollers, and upper means running 100, 75 and 60 percent respectively, read literally on the language of Claim 1 at issue. That is, in all three machines, guide means of some nature conduct the two sheets the entire distance from the opening to the rollers, which is all that is required. The shortening of the upper guide alone does not produce any significant variation in the paths of the sheets which naturally follow the lower guide curvature anyway, and does not affect the mode of operation of the machine or results obtained, (Tr. pp. 308-313). The full extension of the lower guide means to the rollers, after the upper plates have directed the sheets downward satisfies the language at issue.

We are further satisfied from the evidence and exhibits presented to this Court that the guiding means in each of the accused machines are "substantially parallel" within the meaning of Claim 5. It is apparent that in all three of the categories set forth above, the sheets are inserted simultaneously in the inlet opening and move in generally parallel paths through the solution to the rollers where they are pressed together. The sheets achieve this "parallel" trip by means of the plates which extend in the same general direction and serve as guides. While the guide plates are not perfectly straight, and are not at all times equidistant from each other, it must be remembered that the claims do not call for absolute parallelism, but only for a "substantial" degree thereof. The guide means follow the same general downward curve and maintain a substantially similar spatial distance between each other at all points, keeping both inserted sheets immersed in the liquid, and then guiding them upward to the rollers. We believe that such constructions were intended to fall within

Claim 5, as differentiated from those machines in which the two sheets are inserted into opposite side and move toward rollers located at the center of the machine (Tr. pp. 1090-1091). As the New York and New Jersey Courts which considered this precise question, we find that infringement is present. (See 140 U.S.P.Q. 629-630; 242 F.Supp. 1011).

Finally, it is clear to this Court that each of the accused machines contains at least two superposed curved slideways *leading* to the set of rollers. While the separator plates do not *extend* all the way to the rollers, as defendant argues, they do *lead,* or "direct" the sheets to the rollers. As the *Ampto* Court concluded at pp. 630-631 (140 U.S.P.Q.), this is all that is demanded by Claim 5, slideways which conduct the photographic sheets to the rollers on the course described in the Claims.

In addition to the literal reading on the Claims just discussed, we find it abundantly clear that each of the Claims would be infringed under the "doctrine of equivalents" if such literal readability were absent. Indeed, counsel for defendant conceded at trial that the patented apparatus and the accused machines "perform substantially the same function in substantially the same way (to achieve) substantially the same result." (Tr. pp. 464-465), —the traditionally accepted definition of an equivalent device. See Graver Tank Co. v. Linde Air Products Co., 339 U.S. 605, 607—608, 70 S.Ct. 854, 94 L.Ed. 1097 (1950).

We cannot accept defendant's further argument that the Eisbein Claims can not read on the accused Rovico machines because, as amended, the Claims have to be given the same meaning they had before amendment, under the

doctrine of file wrapper estoppel. File estoppel, which prevents a patentee from seeking the benefit of a rejected claim once he has acquiesced to that rejection by amendment, arises only when an amendment has been filed to overcome a rejection based on prior art. Ekco Products Co., Inc. v. Chicago Metallic Mfg. Co., (7th Cir., 1965) 347 F.2d 453, 454. In the instant case, the amendment of claims which ultimately issued as Claims 1 and 5 were not filed to avoid the Agfa prior art reference, and indeed, in this Court's opinion, the original claims did not read on the Agfa machine. We therefore must reject defendant's argument as did the Court of Appeals in *Copease.*

Accordingly, we shall hold that defendant has infringed Claims 1, 5, and 11 of the Eisbein patent by making and selling each of the aforementioned six accused models.

III *Misuse*

Defendant finally contends that the Eisbein patent in suit in unenforceable because of its unlawful licensing use by the plaintiff in violation of the anti-trust laws of the United States, whereby (a) plaintiff derives its royalties from unpatented machines, and (b) plaintiff charges price-fixing royalties based on retail list prices. That is, defendant asserts that by its licensing policy of charging a 6 per cent royalty on the retail selling price of all machines manufactured by licensees utilizing the Eisbein patent, APECO has, in effect illegally charged royalties on the unpatented exposure devices contained therein, and further, has unlawfully set the minimum price at which photocopying machines produced thereunder can be sold. In support of the latter allegation, defendant contends that

the 6 per cent retail based royalty referred to above, is actually 12 per cent of the manufacturing cost of the whole machine, and 24 per cent of the patented portion thereof (Tr. pp. 65-66).

We will not accept this argument. The evidence adduced at trial clearly demonstrates that APECO acquired the Eisbein patent after it was adjudged an infringer thereof in the *Copease* litigation, and continued the licensing policy entered into by its predecessor,—a uniform charge of 6 per cent of the retail sales of machines embodying the patented invention. It is further apparent that APECO paid $5,450,000 to purchase the patent, which figure, less $924,000 it has received in royalties and damages from infringers, totals $4,526,000, or 12½ per cent of its total DTR sales in the United States. Under defendant's reasoning, plaintiff has thus paid *50* per cent of its manufacturing cost of the patented device to Copease for the right to manufacture and sell machines which embody the Eisbein patent (Post Trial Stip., Par. 1, Exs. A & B). In addition, it is clear that the royalties charged licensees are payable on the sales of machines alone, and not on paper and chemical supplies which flow from the machine sales. These sales gross two to three times more income for licensees than is produced by the machines alone (Tr. pp. 1243-1244). Further, the evidence clearly demonstrates that APECO has charged a uniform royalty to all licensees so as not to grant to any recipient, any competitive advantage (Tr. p. 1225), that prices of DTR machines have *declined* since 1962 when APECO acquired the Eisbein patent (Tr. pp. 1245-46, 1218), and that DTR process machines account for only 10 percent of the photocopying machine market, of which plaintiff's sales amount to 15 per cent, or

1½ per cent of the total, (Tr. pp. 1249, 1247; Post Trial Stip. Ex. A).

From these facts, we must conclude that APECO has not misused its patent by engaging in licensing practices which run afoul of the anti-trust laws, as charged by defendant.

We cannot assume that there exist restrictions against "unreasonably high royalties," absent any proof of favoritism or conspiracy to fix prices, neither of which has been inferred, much less proven herein. Where a patentee is certainly free not to license at all, we fail to see how competition is restrained by charging high royalties. Indeed, such licensing, if not beyond the scope of the patent grant, should be encouraged under anti-trust principles, as an alternative to monopoly, which would otherwise be present. The free competitive market place has built-in controls such as supply and demands to limit the royalties charged by a prospective licensor. There is no indication that further controls are justified. Indeed, the case law is uncontroverted to the effect that it is not a violation of the anti-trust laws for a patentee to grant a license under his patent *for any royalty* or upon any condition the performance of which is reasonably within the reward which the patentee by the grant of the patent is entitled to secure. This, of course, is not to say that the patentee is free to expand his statutory monopoly, as where royalties are to be paid after the patent has expired. United States v. General Electric Co., 272 U.S. 476, 47 S.Ct. 192, 71 L.Ed. 362 (1926); United States v. Huck (D.C. Mich., 1964) 227 F.Supp. 791, 803, affd. 382 U.S. 197, 86 S.Ct. 385, 15 L.Ed.2d 268 (1965).

Even assuming however, that a royalty may be unlawful because of its magnitude, and we do not adopt that position, we cannot consider that 6-12-24 per cent royalty charged herein to be oppressive. See Malleable Iron Range Co. v. Lee, (7th Cir., 1920) 263 F. 896, cert. den. 251 U. S. 562, 40 S.Ct. 342, 64 L.Ed. 415 (1920), approving a royalty of 26%; Temco Electric Motor Co. v. K. W. Ignition Co., (6th Cir., 1922) 283 F. 873, 879, cert. den. 260 U.S. 746, 43 S.Ct. 247 (1923), approving a 23½% royalty; National Rejectors v. ABT Mfg. Corp. (7th Cir., 1951) 188 F.2d 706, 710, cert. den. 342 U.S. 828, 72 S.Ct. 51, 96 L.Ed. 626 (1951). Where the evidence is clear that the licensor itself has paid an amount equal to twice the royalty charged for the same rights of manufacture and sale, said licensor should not be precluded from assessing the rates charged. The licensees have more than made up these charges through sales of paper and chemicals to be used with their machines; which in effect bring their assessment down to less than 2 per cent of total sales arising out of their licenses. Further, and of great importance it has been proved that the retail selling price of the DTR Processors has *declined* since APECO assumed ownership of the Eisbein patent, and that APECO's share of the photocopy market has dropped drastically. While it is axiomatic that any additional cost of manufacture will affect price or profit and thus, that any royalty will have a similar effect, it is noteworthy that here, the alleged "oppressive" royalty has been absorbed by the licensees, and that prices on the retail level have been reduced.

We must, therefore, conclude that there is no evidence whatsoever in the trial record to prove that the royalties charged by plaintiff have tended to *unlawfully* fix prices, extend a monopoly or restrain competition.

Similarly, we can find no rationale to support defendant's argument relating to "tying." While APECO's royalties are charged as a percentage of the retail selling price of the whole photocopying machine, developing and exposure devices alike, it would seem illogical to this Court to conclude that APECO thus expanded its patent monopoly to include a non-patented device. By defendant's own reasoning, with regard to the alleged exorbitant royalty rate, licensees are paying 24 per cent of the manufacturing cost of the patented device alone. This is what was bargained for in dollars and cents, and this is what was received, a royalty payable on the patented device alone, but computed on the price of the whole machine. Whether the royalty is stated as 6 per cent of the retail price of the entire machine, including the non-patented device, or 12 per cent of the retail price of the Eisbein apparatus alone is not essential, for the result is precisely the same . . . . a specified charge for the right to manufacture under the patent at issue. The means of computing same should be of no import. As the U. S. District Court for the Northern District of Ohio stated in Ohio Citizens Trust Co. v. Air-Way Elec. Appliance Corp., (D.C.Ohio, 1944) 56 F.Supp. 1010:

> "No case has been cited, and we have been able to find none, holding that the amount of royalty to be paid under a license agreement may not be measured by a rate or percentage calculated upon the sales of completed devices, parts and accessories, contemplated to be manufactured under the patents involved, irrespective of whether such sales include items which do not come within the claims of the licensed patents."

See also: American Optical Co. v. N. J. Optical Co., (D.C. Mass., 1944) 58 F. Supp. 601. Indeed, the Seventh Circuit

Court of Appeals, in affirming Judge Win Knoch, then of the District Court, stated in Hazeltine Research v. Avco Mfg. Corp., (7th Cir., 1955) 227 F.2d 137, cert. den. 350 U.S. 987, 76 S. Ct. 474, 100 L.Ed. 854:

> "• • • royalties are payable on total production of radio and television receivers, regardess of the extent to which the licensee uses any Hazeltine patent." (227 F.2d at p. 147)

Accord: Automatic Radio Co. v. Hazeltine, 339 U.S. 827, 833, 836 (1950); Hazeltine Research v. Admiral Corp., (7th Cir., 1950) 183 F.2d 953. In the latter case, the Court approved a royalty based upon an entire television broadcast receiver even though the patent was directed to a small feature thereof.

> "There are two provisions of Hazeltine's license agreements principally relied upon • • • (1) the exaction of royalty on entirely unpatented products made by plaintiff's licensees • • •.
>
> "It is our conclusion that the misuse charge made by Admiral must be rejected."

Defendant finally argues that under the March 3, 1966 ruling of the Seventh Circuit Court of Appeals, reversing the issuance of a preliminary injunction herein, that plaintiff may not enforce the patent at issue. We do not agree. That decision, as we read it, was limited to the state of the record as it stood on June 11, 1965, including Rovico's allegations of price fixing, Robert Vinci's affidavit in support thereof, and plaintiff's incomplete denial, the opinion being based on "defendant's *undisputed* showing of an exorbitant, oppressive royalty, involving the bulk of the industry, with a corresponding raise of the manufacturer's and retailer's selling prices of the licensed machines."

That "showing" is no longer undisputed. This Court is satisfied from the evidence introduced at trial that the royalty at issue is neither exorbitant nor oppressive, that the bulk of the office photocopying industry is not involved, and that the selling prices of the licensed machines have indeed declined. The evidence clearly demonstrates that there has been no price-fixing herein with the exception of that necessarily incident to any royalty charge; that no illegal "tying" is present, and that no restraint on competition has resulted from APECO's licensing policies.

The Court of Appeals instructed this Court to proceed to trial of this case on the merits. We have done so, and have concluded on the evidence, that plaintiff is not guilty of patent misuse as charged.

All additional arguments made by defendant, and not discussed herein, have been duly considered and denied.

Accordingly, it is the judgment of this Court that plaintiff, pursuant to Sections 283, 284, Title 35, U.S.C., is entitled to (1) a permanent injunction restraining defendant from making, using and/or selling any of the accused machines; (2) damages adequate to compensate for defendant's past infringement, and (3) taxable costs.

Upon detailed consideration of the evidence adduced, briefed arguments, and surrounding circumstances, we further hold that defendants should not be held in contempt of court for the alleged sale of infringing photocopying machines after entry of the June 14, 1965 preliminary injunction by this Court, and that no award of treble damages and attorneys' fees pursuant to Section 285, Title 35, U.S.C. shall be entered.

APPENDIX IV

Judgment of District Court (June 28, 1966)

This cause having come on to be heard by the Court sitting without a jury, and the Court having heard the testimony presented from October 7 through 19, 1965, and having considered the documentary evidence offered and received, the stipulations of fact submitted, the pretrial and post-trial briefs filed, and the various other documents submitted during the course of and after the trial,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

1. That this Court's memorandum opinion read in open court on June 20, 1966, a copy of which is attached hereto, shall stand as the Court's Findings of Fact and Conclusions of Law;

2. That the patent in suit, United States Letters Patent 2,657,618 issued November 3, 1953 upon application of Walter Eisbein and entitled *Developing Apparatus,* is owned by plaintiff and plaintiff is entitled to sue for infringement thereof and recover damages therefor;

3. That United States Letters Patent 2,657,618 is valid in law and claims 1, 5 and 11 thereof were, and are, infringed by each of the defendant's devices herein accused;

4. That defendant, its officers, agents, employees and servants should be, and hereby are, permanently enjoined from further infringement of United States Letters Patent 2,657,618, either directly or indirectly, and are prohibited from making, using or selling any of the accused devices or any other device which infringes any claim of the afore-

said letters patent or aiding or abetting others in the making, using or selling of such devices;

5. That plaintiff shall recover from defendant its damages for past infringement, the amount of which damages are to be determined by a special master after an accounting. The amount of damages shall not be less than a reasonable royalty which is 6% of the retail selling price of all devices used, manufactured or sold by defendant which embody the invention claimed in United States Letters Patent 2,657,618;

6. That this Court shall retain jurisdiction of this cause for the purpose of appointing a special master to conduct the accounting to determine the amount of damages and interest payable, and for the purpose of reviewing the special master's report;

7. That the plaintiff has not engaged in practices violative of the anti-trust laws, nor has it misused United States Letters Patent 2,657,618 as alleged by defendant; and, accordingly, defendant's anti-trust counterclaim should be, and hereby is, dismissed with prejudice; and

8. Plaintiff shall recover its costs to be taxed by the Clerk of this Court and each of the parties shall bear its own attorneys' fees.

Enter:

ABRAHAM L. MAROVITZ
Judge

Dated: June 28, 1966

APPENDIX V

Defendant's Notice of Appeal (June 28, 1966)

IN THE

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF ILLINOIS

EASTERN DIVISION

No. 62 C 2080

AMERICAN PHOTOCOPY EQUIPMENT COMPANY,

Plaintiff, Counter-Defendant

vs

ROVICO, INC.,

Defendant, Counter-Plaintiff

Defendant, Counter-Plaintiff Rovico, Inc. respectfully appeals to the United States Court of Appeals for the Seventh Circuit from the final judgment of this United States District Court for the Northern District of Illinois, Eastern Division, dated and entered herein on June 28, 1966.

Defendant further appeals from all rulings of the District Court that excluded evidence or testimony which defendant sought to introduce, all other rulings of the Court adverse to defendant, and the Court's refusal to

Appendix V—Defendant's Notice of Appeal (June 28, 1966)

accept defendant's offers of proof made pursuant to the judgment of the Court of Appeals entered March 3, 1966.

Dated: June 28, 1966.

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To:

Clerk of the United States District Court
For the Northern District of Illinois
Eastern Division

RAYMOND, MAYER, JENNER & BLOCK, Esqs.
ANDERSON, LUEDEKA, FITCH, EVEN & TABIN, Esqs.
CURTIS, MORRIS & SAFFORD, Esqs.
Attorneys for Plaintiff, Counter-Defendant

Service of the foregoing Notice of Appeal is hereby acknowledged this ..... day of June, 1966.

.....

One of the Attorneys for Plaintiff-
Counter-Defendant

APPENDIX VI

Decision of Court of Appeals (August 22, 1967)

IN THE

UNITED STATES COURT OF APPEALS

FOR THE SEVENTH CIRCUIT

No. 15905 SEPTEMBER TERM, 1966 APRIL SESSION, 1967

AMERICAN PHOTOCOPY EQUIPMENT COMPANY,
Plaintiff-Appellee,

v.

ROVICO, INC.,
Defendant-Appellant.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION.

August 22, 1967

Before SCHNACKENBERG, KNOCH and KILEY, *Circuit Judges.*

KILEY, *Circuit Judge.* Defendant Rovico appeals from a decision holding American Photocopy Equipment Company's (Apeco) Eisbein patent[1] valid and infringed, and

[1] The Eisbein Patent has been litigated extensively primarily in *Copease Mfg. Co. v. American Photocopy Equip. Co.*, 298 F.2d 772 (7th Cir. 1961); *Copease Mfg. Co. v. Cormac Photocopy Corp.*, 242 F. Supp. 993 (S.D.N.Y. 1965); *American Photocopy Equip. Co. v. Ampto, Inc.*, 82 N.J. Super. 531, 198 A.2d 469, 140 U.S.P.Q. 616 (App. Div. 1964). The decision of the lower court in this case is reported at 257 F. Supp. 192 (N.D. Ill. 1966).

rejecting Rovico's misuse defense and antitrust counterclaim. We affirm.[2]

The Eisbein patent No. 2,657,618, issued November 3, 1953, covering a device for developing photocopies by means of the "diffusion-transfer-reversal" process known as DTR. The patent is now owned by Apeco, an Illinois corporation engaged in the manufacture and sale of office photocopying machines. Rovico is a New Jersey competitor of Apeco. The patent was before this court previously in *Copease Mfg. Co. v. American Photocopy Equip. Co.*, 298 F.2d 772 (7th Cir. 1961). After that decision Apeco acquired the patent from Copease.

The DTR process begins by making a negative copy of the original sheet by exposing the photosensitive emulsion on the negative sheet to the original sheet. In the second step the negative is moistened with a chemical "developer" liquid and pressed face-to-face against a coated positive sheet. When the sheets are separated, an image of the original remains on the positive sheet.[3]

The patent in suit involves a device to implement the second step of the DTR process. The three basic elements of the device are (1) a casing containing the developer liquid with an opening above the liquid for insertion of the negative and postive sheets, (2) guides for keeping the sheets apart and conveying them through the liquid and up to (3) a pair of contacting rollers above the liquid that cause the chemical transfer from the negative to the

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[2] Apeco's motion to strike part of the record on appeal was taken with the case. The motion is allowed in an order being filed simultaneously with this opinion.

[3] A detailed explanation of the process can be found in *Copease Mfg. Co. v. American Photocopy Equip. Co.*, 298 F. 2d at 774, n.4.

positive sheet, press excess liquid from the sheets and convey the sheets out of the casing.

Validity

The district court decided the patent was valid under the court's decision in *Copease Mfg. Co. v. American Photocopy Equip. Co.*, 298 F.2d 772 (7th Cir. 1961), in the absence of "persuasive new evidence" of invalidity not before the court in that case. Rovico contends that the record and issues here materially distinguish *Copease* and would have compelled a finding of invalidity if the district court had not excluded new and "crucial" evidence offered by it, ignored evidence admitted, and denied it the right of cross-examination with respect to the *Copease* record. It has the burden of persuading us of the material distinction between this case and *Copease*, and it has not done so.

There is evidence in this record which is not in the *Copease* record including twenty-two exhibits, but we do not regard it as "persuasive."

Rovico claims error in the district court's exclusion of three depositions taken for the *Copease* trial but not used there. Rovico contends that they should have been admitted here because the deponents were Apeco's witnesses or cross-examined by Apeco in *Copease*. It relies upon *Insul-Wool Insulation Corp. v. Home Insulation, Inc.*, 176 F.2d 502 (10th Cir. 1949), where the district court permitted defendant Home to introduce depositions taken for other defendants in other infringement suits. The Tenth Circuit approved the ruling as in accord with FED. R. CIV. P. 26(d) because Insul-Wool had the same

interest and motive for cross-examining the deponents in the previous cases. The court held that the determination of that interest and motive "ought to be left entirely to the trial judge." 176 F.2d at 503. See 5 WIGMORE, EVIDENCE §§ 1360-1366, 1371 (3d ed. 1940).

Here, however, Apeco's interest is the reverse of what it was in *Copease*, and the district court excluded the deposition. We find no reason to disturb the ruling as to Apeco's two witnesses in *Copease*. The deposition of the Copease witness was introduced in evidence and relied upon by this court to support validity in *Copease*. Thus, it cannot be relied on as "new evidence" to overturn the *Copease* decision.

We disagree with Rovico's contention that "admissions" and stipulations here distinguish *Copease*. The district court's function here was to determine whether there was an "admission" with respect to language in claim 1, and if so its effect in the light of all of expert Hill's testimony. The same is true of the significance of the stipulation that if the word "slideways" as used in the claim has the same meaning as in the specifications it "would make the claim meaningless."

We see no merit in the claim of error in the court's refusal to strike testimony of Apeco's expert because his knowledge of the operation of the Agfa machine was based on testimony of witnesses in the *Copease* trial. 2 WIGMORE, EVIDENCE § 665*b* (3d ed. 1940). There is no merit in Rovico's claim of error because the court would not permit impeachment by a deposition which expert Hill did not read and did not use in reaching his opinion. We have read the transcript references and find nothing in the rul-

ings but the district court's rightful concern to keep the examination and record relevant.

We conclude that the district court did not err in the rulings on admissibility of evidence or ignore or disregard evidence that was admitted.

Rovico contends that Eisbein patent is invalid because he did not invent contacting rollers and the device is a combination of old elements, obvious to those skilled in the art. Apeco concedes that Eisbein did not invent contacting rollers. We agree that the Eisbein patent is a combination of elements in the prior art, including contacting rollers. But the elements were inventively arranged to achieve an unobvious result. *Copease Mfg. Co. v. American Photocopy Equip. Co.*, 298 F.2d at 781-82.

Nor is the patent invalid because originally the claims called for separation of the negative and positive sheets in the liquid and amendments changed this to require separation only until they enter the liquid. The nub of this contention is that before the amendment which introduced short separator guides, the industry thought it essential to use separator guides which kept the sheets apart until they left the liquid, and that the amendment broadened the claims to include devices in which the sheets were in contact during immersion. The district court found that this argument "cannot stand" because the broadening of the claims per se did not invalidate the patent, that under 35 U.S.C. § 112 the inventor is required to set out in the specification the best mode of his invention and not all modes, and that there was no inconsistency in the claims and specifications. 257 F. Supp. at 196.

We are not persuaded that the court should have decided the contrary because of representations to the Patent Office by Apeco's employees in connection with its patent No. 2,786,401 or a 1951 letter of Agfa or because of the decision in *American Infra-Red Radiant Co. v. Lambert Indus., Inc.*, 360 F.2d 977 (8th Cir.) *cert. denied*, 385 U.S. 920 (1966). The amendment did not introduce a new element but modified the description of the center separator to clarify the original claims so as not to require the separator to extend all the way to the rollers.

There is no merit in Rovico's contention that the patent is invalid because the claims in suit were broadened by amendment to cover "single sheet wetting." Apeco concedes that claim 1 is broad enough to cover both single sheet and two sheet wetting. During the prosecution of the patent application it was explained to the Patent Office that generally wetting one sheet was sufficient since the essential was a layer of liquid between the two sheets when pressed together. Moreover, the accused devices here involve wetting of two sheets.

We conclude on the validity point that Rovico has not shown that the district court's findings of fact are clearly erroneous, or its conclusions from the findings are erroneous. The court did not err in ruling that there was no persuasive new evidence to remove this issue from this court's holding of validity in *Copease*.

Infringement

The district court found that there was ample evidence to demonstrate that Rovico's accused devices fell within Eisbein's claims 1, 5 and 11; that the guidemeans in the accused devices did not extend to a point adjacent the

rollers but that devices with guides even shorter than Rovico's had been held to read literally on the claims, *Copease Mfg. Co. v. Cormac Photocopy Corp.*, 242 F. Supp. 993 (S.D.N.Y. 1965); that in *American Photocopy Equip. Co. v. Ampto, Inc.*, 82 N.J. Super. 531, 198 A.2d 469, 140 U.S.P.Q. 616 (App. Div. 1964), shorter guides were held to infringe under the doctrine of equivalents; and that file wrapper estoppel had no application here since the amendment was not filed to overcome a rejection based on the prior art.

The only expert who testified on infringement was plaintiff's witness Hill. He testified that the accused devices have the same three elements—casing, guides and rollers —as plaintiff's Eisbein patent devices. On the main point urged by Rovico, the difference in length of guides, Hill testified that the upper guides in the accused devices do not extend as far as those in plaintiff's but that the lower guides in both extend all the way, and that in both, the guides perform the same function substantially the same way to accomplish the same result. The inference is that the shorter upper guide difference is of no significance.

We think that the district court was justified in finding that the amendments were not made to avoid the Agfa patent, and in finding that there was no basis for estoppel by the Eisbein file wrapper. Hill testified that the amendments did not materially change the scope of the claims in suit.

There is no merit in Rovico's contention with respect to the term "slideways" introduced by amendment into claim 5 to pluralize the term "slideway" originaly used. This contention presupposes the term "slideways" means the guide plates. We agree with Apeco that the pre-

supposition is invalid because the term as used means the paths formed by the "guidemeans." Apeco's witness thought assuming the terms meant the same thing was "impossible." But even if the terms were used interchangeably in the specification and claims, the district court apparently saw no significance; nor do we.

We conclude that the district court did not err in holding the patent infringed.

Misuse

Defendant finally argues that the patent in suit is unenforceable because Apeco violates the antitrust laws by charging royalties on the unpatented exposure part of the device and by basing its 6% royalty on retail list selling prices which result in allegedly oppressive royalties amounting to 12% of manufacturing cost of the entire machine and 24% of the cost of the patented part.

The district court found that the evidence clearly demonstrated there was no discrimination towards or competitive advantage granted to any licensee, that DTR retail prices have declined since 1962 and that Apeco's share of the office photocopy market has dropped drastically to 1½%. The court found no unreasonableness in the royalties charged per se. Licensees' sales of paper and chemicals to be used with the device reduces to 2% the royalty as applied to its total sales of the device and paper and chemicals. The court found no misuse in the alleged charging of royalties on the unpatented exposure part of the device, citing *Hazeltine Research, Inc. v. Avco Mfg. Corp.*, 227 F.2d 137 (7th Cir. 1955), *cert. denied*, 350 U.S. 987 (1956); and *Hazeltine Research, Inc. v. Admiral Corp.*, 183 F.2d 953 (7th Cir.), *cert. denied*, 340 U.S.

896 (1950). We are not persuaded the findings are clearly erroneous or the conclusion of non-misuse is erroneous. Rovico's heavy reliance on *Mercoid Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661 (1944), is misplaced because there the competiton sought to be controlled by the patent was not the sale of the patented assembly "but merely competition in the sale of the unpatented thermostatic controls." 320 U.S. at 667.

The principal weakness in Rovico's contention is its reliance upon this court's decision in *American Photocopy Equip. Co. v. Rovico, Inc.*, 359 F.2d 745, (7th Cir. 1966), which reversed an interlocutory injunction issued against Rovico by the district court. The ratio decidendi was that "in view of the undisputed showing" of an "exorbitant, oppressive royalty, involving the bulk of the industry," the injunction was erroneously issued. There Apeco had not "frankly" replied to the Rovico charges about a matter Apeco must have known about. On that record the judgment was reversed. On remand the district court proceeded on the merits, rightfully finding that the decision on the injunction did not settle the issue, and properly making findings of fact and conclusions of law on the misuse issue.

We have considered other points raised by Rovico which we deem so meritless as to be unworthy of discussion.

AFFIRMED.

SCHNACKENBERG, *Circuit Judge,* concurring in part and dissenting in part.

I concur in Judge Kiley's opinion except as to that part entitled "Misuse". As to the latter part, I dissent. The record shows that the patented machine is made and sold in combination with unpatented machines installed in the same cabinet and that the royalty paid by the manufacturer, is based, not on the manufacturer's selling price of the patented machine, but on the retail selling price of the entire combination, patented and unpatented machines alike. Thus, although the royalty rate of 6% remains constant, the actual royalty, applied to the manufacturer's selling price, ranges between 24% and 136%. It has been demonstrated in this case that the patent privilege in this case is being used by plaintiff contrary to the public interest. *Mercoid Corp. v. Mid-Continent Company,* 320 U.S. 661, 669 (1944); *Morton Salt Co. v. Suppiger Co.,* 314 U.S. 488, 492 (1942).

A true Copy:

Teste:

Clerk of the United States Court of Appeals for the Seventh Circuit.

APPENDIX VII

Order of Court of Appeals on Motion to Strike (August 22, 1967)

UNITED STATES COURT OF APPEALS

FOR THE SEVENTH CIRCUIT

Chicago, Illinois 60604

August 22, 1967

Before

HON. ELMER J. SCHNACKENBERG, Circuit Judge
HON. WIN G. KNOCH, Circuit Judge
HON. ROGER J. KILEY, Circuit Judge

No. 15905

AMERICAN PHOTOCOPY EQUIPMENT COMPANY,
Plaintiff-Appellee,

vs.

ROVICO, INC.,
Defendant-Appellant.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION.

Plaintiff-appellee Apeco made a motion to strike five items from the record on appeal from the judgment for Apeco; Rovico, defendant-appellant, filed its answer to the motion, and we took the motion with the case.

Appendix VII—Order of Court of Appeals on Motion to Strike (August 22, 1967)

The Court finds that items 1 to 4, both inclusive, are trial court post-trial briefs and an affidavit of Apeco's trial-counsel filed in connection with the briefs. As to these items, Rovico admits they are not properly part of the record on appeal from the judgment of June 28, 1966.

The Apeco motion and the Rovico answer disclose that a contempt proceeding was begun by Apeco against Rovico for violation of the district court preliminary injunction, later set aside by this Court; and that in the course of that contempt proceedings, Rovico took the deposition, item 5, on October 29, 1965. The deposition was not offered in evidence in the proceedings.

This Court Finds: that the deposition, item 5, pertains to a conversation by one Ginsberg and Cunningham, a Rovico employee, in which Cunningham states that he was told if he would testify against Rovico on the question of the violation of the preliminary injunction and lose his job as a consequence, Cunningham would get * * * four to six months' salary * * * every week until you find a job".

The Court therefore, finds that item 5 relates solely to the question of violation of the preliminary injunction subsequently set aside by this Court before the judgment appealed from was entered; and that the item is not pertinent to the issue of patent misuse decided by this Court and discussed in the dissenting opinion, nor to any other issue decided in this Court's opinion.

Apeco's motion is allowed and the five items are hereby stricken from the record.

APPENDIX VIII

Order of Court of Appeals *En Banc* Denying Petition for Rehearing *En Banc* (October 11, 1967)

UNITED STATES COURT OF APPEALS

FOR THE SEVENTH CIRCUIT

Chicago, Illinois 60604

Wednesday, October 11, 1967

Before

HON. JOHN S. HASTINGS, Chief Judge
HON. ELMER J. SCHNACKENBERG, Circuit Judge
HON. WIN G. KNOCH, Circuit Judge
HON. LATHAM CASTLE, Circuit Judge
HON. ROGER J. KILEY, Circuit Judge
HON. LUTHER M. SWYGERT, Circuit Judge
HON. THOMAS E. FAIRCHILD, Circuit Judge
HON. WALTER J. CUMMINGS, Circuit Judge

No. 15905

AMERICAN PHOTOCOPY EQUIPMENT COMPANY,
Plaintiff-Appellee,

vs.

ROVICO, INC.,
Defendant-Appellant.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION.

IT IS ORDERED by the Court *en banc* that the petition for rehearing *en banc* be, and the same is herby Denied.

(Judge Schnackenberg voted to grant the petition for rehearing en banc, said hearing to be limited to the defense of misuse and plaintiff's reply thereto).

APPENDIX IX

Constitutional Provisions, Statutes and Rules Involved

Constitution of the United States, Article I, Section 8 (1787):

Section 8. The Congress shall have Power * * *

* * * *

To regulate Commerce with foreign Nations, and among the Several States, and with the Indian Tribes;

* * * *

To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries;

* * * *

Sherman Act, Sections 1 and 2; 26 Stat. 209; 15 U.S.C. 1, 2; Public Law 190, 51st Congress, July 2, 1890, c. 647, § 1, 2, as amended by Miller-Tydings Act, 50 Stat. 693; 15 U.S.C. 1; Public Law 314, 75th Congress, August 17, 1937, c. 690, Title VIII and Act of July 7, 1955, c. 281, 69 Stat. 282:

Section 1. Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal: *Provided*, That nothing herein contained shall render illegal, contracts or agreements prescribing minimum prices for the resale of a commodity which bears, or the label or container of which bears, the trade mark, brand, or name of the producer or distributor of such commodity and which is in free and open competition with commodities of the same

general class produced or distributed by others, when contracts or agreements of that description are lawful as applied to intrastate transactions, under any statute, law, or public policy now or hereafter in effect in any State, Territory, or the District of Columbia in which such resale is to be made, or to which the commodity is to be transported for such resale, and the making of such contracts or agreements shall not be an unfair method of competition under section 5, as amended and supplemented, of the act entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes", approved September 26, 1914: *Provided further,* That the preceding proviso shall not make lawful any contract or agreement, providing for the establishment or maintenance of minimum resale prices on any commodity herein involved, between manufacturers, or between producers, or between wholesalers, or between brokers, or between factors, or between retailers, or between persons, firms, or corporations in competition with each other. Every person who shall make any contract or engage in any combination or conspiracy hereby declared to be illegal shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding fifty thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court.

Section 2. Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not

exceeding fifty thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court.

Clayton Act, Section 4; 38 Stat. 730, 731, 15 U.S.C. 15; Public Law 212, 63rd Congress, October 15, 1914, c. 323, §4:

Section 4. That any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of the suit, including a reasonable attorney's fee.

Act of October 23, 1962; Public Law 87-849, §1(a); 76 Stat. 1119; **Title 18, United States Code, Section 201:**

Section 201. Bribery of public officials and witnesses.

* * *

(h) Whoever, directly or indirectly, gives, offers, or promises anything of value to any person, for or because of the testimony under oath or affirmation given or to be given by such person as a witness upon a trial, hearing, or other proceeding, before any court, any committee of either House or both Houses of Congress, or any agency, commission, or officer authorized by the laws of the United States to hear evidence or take testimony, or for or because of his absence therefrom; or

(i) Whoever, directly or indirectly, asks, demands, exacts, solicits, seeks, accepts, receives, or agrees to receive anything of value for himself for or because of the testimony under oath or affirmation given or to be given by

him as a witness upon any such trial, hearing, or other proceeding, or for or because of his absence therefrom—

Shall be fined not more than $10,000 or imprisoned for not more than two years, or both.

• • •

Act of June 25, 1948; c. 646; 62 Stat. 928; **Title 28, United States Code, Section 1254:**

Section 1254. Courts of appeals; certiorari; appeal; certified questions.

Cases in the courts of appeals may be reviewed by the Supreme Court by the following methods:

(1) By writ of certiorari granted upon the petition of any party to any civil or criminal case, before or after rendition of judgment or decree;

• • •

Patent Act of July 19, 1952; Public Law 593, 82nd Congress, 2d session; c. 950; 66 Stat. 792; **Title 35, United States Code, Sections 102, 103, 132, 284 and 285:**

Section 102. Conditions for patentability; novelty and loss of right to patent.

A person shall be entitled to a patent unless—

• • •

(f) he did not himself invent the subject matter sought to be patented, or

• • •

Section 103. Conditions for patentability; non-obvious subject matter.

Appendix IX

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

Section 284. Damages.

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

Section 285. Attorney fees.

The court in exceptional cases may award reasonable attorney fees to the prevailing party.

Federal Rules of Civil Procedure, Rule 26(d):

Rule 26. Depositions Pending Action.

• • •

Appendix IX

(d) Use of Depositions. At the trial or upon the hearing of a motion or an interlocutory proceeding, any part or all of a deposition, so far as admissible under the rules of evidence, may be used against any party who was present or represented at the taking of the deposition or who had due notice thereof, in accordance with any one of the following provisions:

• • •

(3) The deposition of a witness, whether or not a party, may be used by any party for any purpose if the court finds: 1, that the witness is dead; or 2, that the witness is at a greater distance than 100 miles from the place of trial or hearing, or is out of the United States, unless it appears that the absence of the witness was procured by the party offering the deposition; or 3, that the witness is unable to attend or testify because of age, sickness, infirmity, or imprisonment; or 4, that the party offering the deposition has been unable to procure the attendance of the witness by subpoena; or 5, upon application and notice, that such exceptional circumstances exist as to make it desirable, in the interest of justice and with due regard to the importance of presenting the testimony of witnesses orally in open court, to allow the deposition to be used.

• • •

Substitution of parties does not affect the right to use depositions previously taken; and, when an action in any court of the United States or of any state has been dismissed and another action involving the same subject matter is afterward brought between the same parties or their representatives or successors in interest, all depositions lawfully taken and duly filed in the former action may be used in the latter as if originally taken therefor.

• • •

Appendix IX

Federal Rules of Civil Procedure, Rule 43(a):

Rule 43. Evidence.

(a) Form and Admissibility. In all trials the testimony of witnesses shall be taken orally in open court, unless otherwise provided by these rules. All evidence shall be admitted which is admissible under the statutes of the United States, or under the rules of evidence heretofore applied in the courts of the United States on the hearing of suits in equity, or under the rules of evidence applied in the courts of general jurisdiction of the state in which the United States court is held. In any case, the statute or rule which favors the reception of the evidence governs and the evidence shall be presented according to the most convenient method prescribed in any of the statutes or rules to which reference is herein made. The competency of a witness to testify shall be determined in like manner.

• • •